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Exhibit 2
Transmission Service Agreement

1 CASTLE ROCK - LAKEVILLE 230 kV TRANSMISSION LINE
2 TRANSMISSION SERVICE AGREEMENT

3 BETWEEN

4 NORTHERN CALIFORNIA POWER AGENCY AND
5 THE CITY OF SANTA CLARA

6 AND

7 DEPARTMENT OF WATER RESOURCES
8 OF THE STATE OF CALIFORNIA
9

10 THIS CASTLE ROCK JUNCTION - LAKEVILLE 230 kV TRANSMISSION LINE
11 TRANSMISSION SERVICE AGREEMENT, herein referred to as the
12 "Agreement" is entered into by and between the Northern California
13 Power Agency (NCPA) and The City of Santa Clara (Santa Clara), and
14 the Department of Water Resources of the State of California
15 (DWR), herein referred to as "Party", or collectively referred to
16 as "Parties".
17

18 RECITALS: DWR, NCPA and Santa Clara are parties to the "Agreement
19 for Sharing of Costs for Construction of Castle Rock Junction -
20 Lakeville 230 kV Transmission Line and Associated Facilities"
21 between Pacific Gas and Electric Company (PG&E), DWR, NCPA and
22 Santa Clara, which became effective May 25, 1984.
23

24 NCPA and Santa Clara are parties to the "Agreement of Cotenancy
25 in the Castle Rock Junction - Lakeville 230 kV Transmission Line
26

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1 Among PG&E, DWR, NCPA and Santa Clara" (Cotenancy Agreement);
2 which with exception as to DWR, became effective March, 1985.

3
4 DWR intends to sign the Cotenancy Agreement and to cause the
5 Cotenancy Agreement to become effective as to DWR on or about
6 March 1, 1989.

7
8 As a Cotenant in the Castle Rock Junction - Lakeville 230 kV
9 Transmission Line, DWR will have an ownership interest in that
10 line in the amount of 165 MW.

11
12 Because of a reduction in DWR's transmission needs in the Geysers
13 area, DWR can make available 55 MW of transmission service for the
14 life of the facility, another 55 MW through December 31, 1995 and
15 18 MW for an undetermined period.

16
17 DWR is willing to sell to NCPA and Santa Clara and NCPA and Santa
18 Clara are willing to buy transmission service on that line under
19 the following terms and conditions:

20
21 **1.0 DEFINITIONS:**

22 **1.1** The following terms when used in this Agreement with
23 initial capitalization whether in the singular or plural,
24 shall have the following meaning.

25 **1.1.1 Long Term Transmission Service:** The service being
26 provided under Section 3.1.

27 **////**

1.1.2 Short Term Transmission Service: The service being provided under Section 3.2.

1.1.3 Additional Transmission Service: The service being provided under Section 3.3.

1.2 The definitions in Section 1 of the Cotenancy Agreement "Definitions" are incorporated herein by reference and the following are provided here for convenience. Clarifications to references are included in parenthesis within the definitions.

1.2.1 Addition and Betterment: A capital improvement, the primary aim of which is to make the property affected more useful, more efficient, of greater durability or of greater capacity.

1.2.2 Associated Facilities: Equipment and facilities that are not a part of the New Line as such but which are installed in order to integrate it with PG&E's system.

1.2.3 Capital Replacement: A retirement unit that is substituted for another such retirement unit, as the term "retirement unit" is defined in the Federal Energy Regulatory Commission List of Retirement Units for Use in Connection with Uniform System of Accounts Prescribed for Public Utilities and Licenses, or its successor document.

1.2.4 Cotenant: DWR, NCPA, PG&E, Santa Clara and any transferee that becomes a Cotenant under Section

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1 2.4.3 ("Transfer of Ownership Interest" of the
2 Cotenancy Agreement).

3 1.2.5 FERC: Federal Energy Regulatory Commission or its
4 successor agency.

5 1.2.6 Firm Transmission Entitlement: The firm entitlement
6 of a Cotenant to the use of transmission capacity
7 on a Line Circuit or Other Circuit or combination
8 thereof as provided in Section 7.1 ("Commencement
9 of Firm Transmission Entitlement" of the Cotenancy
10 Agreement).

11 1.2.7 Good Utility Practice:

12 1.2.7.1 With respect to actions or inactions by any
13 Cotenant other than DWR, those practices,
14 methods and equipment, including levels of
15 reserves and provisions for contingencies, as
16 modified from time to time, that are at least
17 as good as those commonly used in the Service
18 Area to operate, reliably and safely, electric
19 power facilities to serve a utility's own
20 customers dependably and economically with due
21 regard for the conservation of natural resources
22 and the protection of the environment of the
23 Service Area; provided, that such practices,
24 methods and equipment are not unreasonably
25 restrictive.

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27 ////

1 1.2.7.2 With respect to action or inaction by DWR, the
2 then current practices, methods and equipment
3 generally used by electric utilities, which
4 operate primarily in the State of California,
5 for the purpose of providing economic, safe and
6 reliable service to their own customers, with
7 due regard for the conservation of natural
8 resources and the protection of the environment.

9 1.2.8 Interconnection Agreements: The Comprehensive
10 Agreement Between the California Department of Water
11 Resources and PG&E executed April 22, 1982, the
12 Interconnection Agreement between PG&E and the City
13 of Santa Clara effective October 27, 1983, the
14 Interconnection Agreement Between PG&E and the
15 Northern California Power Agency, City of Alameda,
16 City of Biggs, City of Gridley, City of Healdsburg,
17 City of Lodi, City of Lompoc, City of Palo Alto,
18 City of Roseville, City of Ukiah and Plumas Sierra
19 Rural Electric Cooperative effective September 14,
20 1983 and any interconnection agreement between PG&E
21 and another entity that becomes a Cotenant, as such
22 agreements may be amended from time to time.

23 1.2.9 Land Rights: All rights, including easements,
24 right-of-ways, or fee title in real property
25 necessary for the construction, use, operation, and
26 maintenance of the New Line, and the Associated
27 Facilities.

1.2.10 Line Circuit: Either Line Circuit No. 1 or Line Circuit No. 2.

1.2.11 Line Circuit No. 1: The three-phase, 230-kV circuit shown in Appendix A (of the Cotenancy Agreement) that, as of the initial operation date of the New Line, serves PG&E's Geysers Unit No. 14.

1.2.12 Line Circuit No. 2: The three-phase, 230-kV circuit shown in Appendix A (of the Cotenancy Agreement) that, as of the initial operation date of the New Line, serves PG&E's Geysers Unit No. 9.

1.2.13 New Line: The double-circuit, 230-kV transmission line now being constructed between PG&E's tower No. 0/1 at Castle Rock Junction in The Geysers area and the circuit breaker structure at Lakeville Substation shown in Appendix A (of the Cotenancy Agreement). The facilities include tower No. 0/1 at Castle Rock Junction, the overhead line with bundled 2300-kcm aluminum conductors, the associated pipe-type underground circuits with 3500-kcm aluminum cables, all conductors, towers, related hardware and any Capital Replacements and Additions and Betterments thereto, but exclude the circuit breaker structure at Lakeville Substation and any Land Rights. The New Line constitutes a portion of the Line Circuits, as shown in Appendix A.

1.2.14 Other Circuit: Either other Circuit No. 1 or Other Circuit No. 2, or any future 230-kV circuit other

1 than the Line Circuits, which circuit is Operated
2 by PG&E in The Geysers area and interconnects with
3 PG&E's backbone transmission system.

4 **1.2.15 Ownership Interest:** A Cotenant's ownership share
5 in the New Line as provided and adjusted in Section
6 2.2 ("Initial Ownership Interests and Subsequent
7 Adjustments" of the Cotenancy Agreement).

8 **1.2.16 Service Area:** That area within the exterior
9 geographic boundaries of the several areas
10 electrically served at retail, now or in the future,
11 by PG&E, and those areas in northern and central
12 California adjacent thereto.

13 **2.0 TERM:** This Agreement shall become effective when signed by
14 all Parties and approved by the Department of General
15 Services of the State of California; provided, that this
16 Agreement shall not become effective until the effective
17 date of the Cotenancy Agreement as to DWR; and provided
18 further that this Agreement is no longer subject to the
19 *30 day* "Right of Refusal" pursuant to Section 2.5 of the Cotenancy
20 *period expired*
6/14/89 Agreement. The term of this Agreement shall be March 1,
21 1989 through December 31, 2014, or the date that both NCPA
22 and Santa Clara are no longer Cotenants pursuant to the
23 Cotenancy Agreement, whichever is later.

24 **3.0 SERVICE:** Commencing upon the effective date of this
25 Agreement, DWR shall provide and NCPA and Santa Clara shall
26 take Long Term Transmission Service, Short Term

27 *////*

1 Transmission Service and Additional Transmission Service as
2 follows:

3 **3.1 Long Term Transmission Service:** DWR shall provide NCPA and
4 Santa Clara with the right to use 55 MW of DWR's Firm
5 Transmission Entitlement (FTE) in the Castle Rock Junction
6 -Lakeville 230 kV line for the term of this Agreement and
7 initially the 55 MW shall be allocated: NCPA 24 MW and
8 Santa Clara 31 MW.

9 **3.2 Short Term Transmission Service:** In addition to the FTE
10 provided in Section 3.1 DWR shall provide NCPA and Santa
11 Clara and NCPA and Santa Clara shall pay for the right to
12 use 55 MW of FTE in the Castle Rock Junction -Lakeville
13 230 kV transmission line for the term of this Agreement
14 and initially the 55 MW shall be allocated: NCPA 48.3 MW
15 and Santa Clara 6.7 MW. The Short Term Transmission
16 Service may be terminated or reduced upon three years
17 written notice by DWR, or by NCPA and Santa Clara acting
18 jointly, provided such termination or reduction shall not
19 be effective prior to January 1, 1996. The term "acting
20 jointly" as used in this Agreement requires that NCPA and
21 Santa Clara agreed on the action. Prior to termination by
22 DWR, the Parties will meet to discuss potential short term
23 benefits from alternative arrangements, although no Party
24 shall be required to enter into any such arrangement.

25 **3.3 Additional Transmission Service:** Additional FTE may be
26 made available to NCPA and Santa Clara as determined solely
27 by DWR on a year to year basis, as follows:

1 3.3.1 Within 30 days of the effective date of this
2 Agreement, DWR shall notify NCPA and Santa Clara
3 in writing as to the availability of Additional
4 Transmission Service for the remainder of calendar
5 year 1989. NCPA and Santa Clara acting jointly
6 shall notify DWR in writing within 30 days of
7 receipt of DWR's above notice as to the amount of
8 Additional Transmission Service they will purchase
9 and for what period.

10 3.3.2 By September 1 of each year, beginning in the year
11 1989, DWR shall notify NCPA and Santa Clara as to
12 the availability of Additional Transmission Service
13 for the following calendar year. Service for such
14 following calendar year shall be provided only if,
15 within 30 days of receipt of such notification, NCPA
16 and Santa Clara, acting jointly, notify DWR in
17 writing as to the amount of Additional Transmission
18 Service they will purchase, the allocation between
19 NCPA and Santa Clara, and the time period for such
20 service.

21 3.4 The allocations for the services stated above in Sections
22 3.1, 3.2 and 3.3 may be changed by NCPA and Santa Clara,
23 acting jointly, by sending written notice, signed by
24 persons authorized to make reallocations, 30 days prior to
25 the date of the requested reallocation. Any reallocation
26 shall be effective upon approval by DWR, and such approval
27 shall not be unreasonably withheld. Until further changed

1 pursuant to this Section 3.4, the allocation shall remain
2 as initially provided or as subsequently last changed
3 pursuant to this Section, whichever is applicable. At all
4 times during the term of this Agreement NCPA and Santa
5 Clara shall be jointly and severally liable for all payment
6 obligations under this Agreement and take and pay for the
7 services provided pursuant to Sections 3.1, 3.2 and 3.3.

8 3.5 DWR shall promptly act on behalf of, or assist NCPA and
9 Santa Clara in redesignating DWR's FTE, as necessary
10 pursuant to the Cotenancy Agreement, to allow NCPA and
11 Santa Clara to use DWR's FTE to which NCPA and Santa Clara
12 are entitled pursuant to this Agreement. However any
13 inability to redesignate DWR's FTE or delay in
14 redesignating DWR's FTE shall not relieve NCPA and Santa
15 Clara of their payment obligations for service under
16 Sections 3.1, 3.2 and 3.3.

17 3.6 Either NCPA or Santa Clara may schedule its share of NCPA
18 Plant No. 1 or NCPA Plant No. 2 using either NCPA's or
19 Santa Clara's unused FTE obtained pursuant to this
20 Agreement or the Cotenancy Agreement.

21 3.7 Services provided hereunder shall be provided and used in
22 accordance with Good Utility Practice.

23 4.0 CHARGES AND REIMBURSEMENTS: Charges and reimbursements for
24 Long Term Transmission Service, Short Term Transmission
25 Service and Additional Transmission Service shall be as
26 follows:

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1 4.1 Charges And Reimbursements For Long Term Transmission
2 Service:

3 4.1.1 NCPA shall pay DWR a one time payment of \$1,614,545
4 for its allocated share of Long Term Transmission
5 Service, in accordance with Section 9.1.1 of this
6 Agreement.

7 4.1.2 Santa Clara shall pay DWR a one time payment of
8 \$2,085,455 for its allocated share of Long Term
9 Transmission Service in accordance with Section
10 9.1.1 of this Agreement.

11 4.1.3 NCPA and Santa Clara shall each reimburse DWR based
12 upon their respective shares for all costs incurred
13 by DWR, as evidenced by bills received from PG&E
14 under the Cotenancy Agreement, for operation and
15 maintenance related to the 55 MW of Long Term
16 Transmission Service being provided to NCPA and
17 Santa Clara. These costs include but are not
18 limited to the following sections of the Cotenancy
19 Agreement (i) Section 5.2 "Sharing of Costs of
20 Operating Emergencies", (ii) Section 5.3 "Sharing
21 of Costs for Operation and Maintenance of the Line
22 Circuits", (iii) Section 5.4 "Sharing of Costs for
23 Operation, Maintenance and Replacement of Associated
24 Facilities", and (iv) Section 5.5 "Sharing of Costs
25 for Capital Replacements and Additions and
26 Betterments to Maintain Capacity of the New Line".

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1 4.1.4 NCPA and Santa Clara shall also, for the life of the
2 New Line, reimburse DWR, based upon their respective
3 shares for any costs of reconstruction incurred as
4 a result of Section 11.1 "Conditions for Automatic
5 Reconstruction" of the Cotenancy Agreement
6 associated with the FTE of Long Term Transmission
7 Service being provided to NCPA and Santa Clara.

8 4.1.5 If the cost of reconstruction or repair of the New
9 Line would exceed the applicable limit specified in
10 Section 11.1 "Condition for Automatic
11 Reconstruction" of the Cotenancy Agreement, the
12 Parties shall meet with the intent of amending this
13 Agreement to reflect potential changes to the
14 respective Parties' transmission requirements. If
15 the Agreement cannot be amended to the mutual
16 satisfaction of the Parties, the Parties shall
17 proceed as follows:

18 4.1.5.1 If DWR desires to reconstruct on the basis
19 of 110 MW of Ownership Interest in the New
20 Line, and NCPA and Santa Clara, acting
21 jointly, desire to reconstruct on the basis
22 of the 55 MW of Ownership Interest used for
23 the Long Term Transmission Service purchased
24 by NCPA and Santa Clara, then: a) DWR shall
25 exercise its right under the Cotenancy
26 Agreement for reconstruction of the New
27 Line; and b) NCPA and Santa Clara shall

1 reimburse DWR, on the basis of the 55 MW of
2 Ownership Interest used for the Long Term
3 Transmission Service purchased by NCPA and
4 Santa Clara, for any cost of reconstruction
5 of the New Line incurred by DWR as a result
6 of DWR exercising its right pursuant to
7 Section 11.2 "Conditions for Decisions
8 Before Reconstruction" of the Cotenancy
9 Agreement.

10 4.1.5.2

11 If DWR, and NCPA and Santa Clara, acting
12 jointly, do not desire to reconstruct DWR's
13 Ownership Interest in the New Line, then:
14 (a) DWR shall dispose of its Ownership
15 Interest in the New Line pursuant to the
16 Cotenancy Agreement; (b) DWR shall reimburse
17 NCPA and Santa Clara, on the basis of the
18 55 MW of Ownership Interest used for the
19 Long Term Transmission Service purchased by
20 NCPA and Santa Clara, for any net salvage
21 value of the New Line received by DWR as a
22 result of DWR not exercising its right to
23 reconstruct pursuant to Section 11.2
24 "Conditions for Decision Before
25 Reconstruction" of the Cotenancy Agreement;
26 and (c) this agreement shall terminate,
27 provided that obligations to pay incurred

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1 under this Agreement shall continue until
2 fully satisfied.

3 4.1.5.3

4 If only DWR desires to reconstruct the New
5 Line, then: (a) DWR, to the extent permitted
6 by law, shall transfer to NCPA and Santa
7 Clara title to the 55 MW of DWR's Ownership
8 Interest used for the Long Term Transmission
9 Service purchased by NCPA and Santa Clara;
10 and (b) this Agreement shall terminate,
11 provided that the obligations to pay
12 incurred under this Agreement shall continue
13 until fully satisfied. And,

14 4.1.5.4

15 If NCPA and Santa Clara, acting jointly,
16 desire to reconstruct the New Line on the
17 basis of the 55 MW of Ownership Interest
18 used for the Long Term Transmission Service
19 purchased by NCPA and Santa Clara, and DWR
20 does not desire to reconstruct, thereafter
21 being unable to provide Long Term
22 Transmission Service pursuant to Section
23 3.1, then: (a) DWR, to the extent permitted
24 by law, shall transfer to NCPA and Santa
25 Clara title to 55 MW of DWR's Ownership
26 Interest; and (b) this Agreement shall
27 terminate, provided that obligations to pay
incurred under this Agreement shall continue
until fully satisfied.

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1 4.2 Charges And Reimbursements For Short Term Transmission
2 Service:

3 4.2.1 Each month, NCPA and Santa Clara shall, based upon
4 their respective shares, pay DWR at a rate
5 determined from the average of: a) DWR's estimated
6 cost computed in dollars per kilowatt-month
7 associated with the Short Term Transmission Service
8 being provided to NCPA and Santa Clara as derived
9 in Appendix A, "Derivation of DWR's Cost for Short
10 Term Transmission Service" and b) with respect to
11 NCPA, PG&E's rate for Generation-Tie Firm
12 Transmission Service in effect on January 1 of that
13 year under the NCPA-PG&E Interconnection Agreement
14 and with respect to Santa Clara, PG&E's rate for
15 Generation-Tie Firm Transmission Service in effect
16 on January 1 of that year under the Santa Clara-
17 PG&E Interconnection Agreement. If such average
18 rate exceeds the PG&E rate for Generation-Tie Firm
19 Transmission Service, then the respective PG&E rate
20 shall be used. The above payments shall be made in
21 accordance with Section 9.2.

22 4.2.2 By April 1 of each year, beginning in the year 1990,
23 DWR shall determine the actual cost of Short Term
24 Transmission Service for the previous year and
25 submit an adjustment to NCPA and Santa Clara to
26 reflect any differences between the estimated cost
27 and actual cost.

1 4.2.3 If rates under the NCPA-PG&E Interconnection
2 Agreement or the Santa Clara-PG&E Interconnection
3 Agreement are no longer in effect, the last
4 applicable rate shall be used in the calculation set
5 out in Section 4.2.1; unless otherwise agreed to by
6 the affected Parties.

7 4.3 Charges And Reimbursements For Additional Transmission
8 Service: Rates for Additional Transmission Service shall
9 be the same as for Short Term Transmission Service and
10 charges shall be based upon the amount of Additional
11 Transmission Service taken pursuant to Section 3.3. Such
12 charges shall be paid in accordance with Section 9.3.

13 5.0 OTHER REIMBURSEMENTS:

14 5.1 Based upon their share of transmission service NCPA and
15 Santa Clara shall reimburse DWR, as evidenced by bills
16 received from PG&E, for all costs incurred by DWR pursuant
17 to Article 7.0 "Right to Use" of the Cotenancy Agreement
18 which are associated with transmission service being
19 provided to NCPA and Santa Clara, including but not limited
20 to costs for redesignation of DWR's FTE or reconnections
21 of NCPA and Santa Clara powerplants where such re-
22 designations or reconnections are necessary for NCPA and
23 Santa Clara to use DWR's FTE.

24 5.2 If NCPA and Santa Clara terminate or reduce their right to
25 use Short Term Transmission Service pursuant to Section
26 3.2, they shall, based upon their share of transmission
27 service, reimburse DWR for all costs incurred by DWR, as

1 evidenced by bills received from PG&E, for redesignation of
2 DWR's FTE or reconnections of DWR's powerplants where such
3 redesignations or reconnections are necessary for DWR to
4 use its FTE except where such redesignation or re-
5 connection was necessary regardless of this Agreement.

6 5.3 NCPA and Santa Clara shall, based upon their respective
7 share of transmission service, reimburse DWR for any other
8 costs incurred by DWR, as evidenced by bills received from
9 PG&E pursuant to the Cotenancy Agreement, which are
10 associated with transmission service being provided to NCPA
11 and Santa Clara under this Agreement.

12 6.0 LOSSES:

13 6.1 Transmission losses associated with NCPA's use of DWR's FTE
14 shall be governed by NCPA's Interconnection Agreement with
15 PG&E unless a filed change in loss factor is accepted by
16 FERC, then losses shall be governed by such duly filed loss
17 factor. If NCPA's losses are charged to DWR, then NCPA
18 shall reimburse DWR in kind for such transmission losses.

19 6.2 Transmission losses associated with Santa Clara's use of
20 DWR's FTE shall be governed by Santa Clara's
21 Interconnection Agreement with PG&E unless a filed change
22 in loss factor is accepted by FERC, then losses shall be
23 governed by such duly filed loss factor. If Santa Clara's
24 losses are charged to DWR, then Santa Clara shall reimburse
25 DWR in kind for such transmission losses.

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1 **7.0 CURTAILMENTS:**

2 Curtailment of NCPA's use and Santa Clara's use of DWR's
3 FTE shall be in accordance with Section 8 "Curtailments" of
4 the Cotenancy Agreement.

5 **8.0 ADDITIONS AND BETTERMENTS:**

6 NCPA and Santa Clara shall have the option to obtain, DWR's
7 right to participate in the first 300 MW of transmission
8 capacity resulting from any Additions and Betterments
9 occurring pursuant to Section 10.0 "Additions and
10 Betterments" of the Cotenancy Agreement. If NCPA or Santa
11 Clara elects to exercise this option, NCPA or Santa Clara
12 or both, as appropriate, shall reimburse DWR in proportion
13 to their relative shares elected, at cost plus \$150,000 and
14 shall reimburse DWR in kind for any increased losses which
15 DWR may incur due to the transmission upgrade.

16 **9.0 BILLING AND PAYMENT:** Billing and payment for Long Term
17 Transmission Service, Short Term Transmission Service and
18 Additional Transmission Service shall be made as follows:

19 **9.1 Bills and Payments for Long-Term Transmission Service:**

20 **9.1.1** NCPA shall pay DWR \$1,614,545 and Santa Clara shall
21 pay DWR \$2,085,455 as provided in Section 4.1.1 and
22 4.1.2 of this Agreement, within thirty (30) days of
23 the effective date of this Agreement.

24 **9.1.2** Each calendar year, DWR shall bill NCPA and Santa
25 Clara for their respective shares of annual charges
26 pursuant to Subsection 4.1.3 (ii) and (iii) of this
27 Agreement. NCPA and Santa Clara shall pay for their

1 respective share of the annual charges within 20
2 days from the receipt of such bill from DWR.

3 9.1.3 For costs associated with Subsection 4.1.3 (i) and
4 (iv), DWR shall bill NCPA and Santa Clara for NCPA's
5 and Santa Clara's share of those costs. NCPA and
6 Santa Clara shall pay for their respective share of
7 each bill within twenty (20) days from the receipt
8 of such bill from DWR.

9 9.2 Billings and Payments of Short-Term Transmission Service:

10 9.2.1 Each month DWR shall bill NCPA and Santa Clara
11 pursuant to section 4.2.1 of this agreement for
12 Short-Term Transmission Service on or before the
13 tenth (10) day of each month following the month of
14 service. NCPA and Santa Clara shall pay for their
15 respective share of each bill within twenty (20)
16 days from the receipt of such bill from DWR.

17 9.2.2 By April 1 of each year DWR shall bill or credit
18 NCPA and Santa Clara as appropriate pursuant to
19 Section 4.2.2 of this Agreement for adjustments
20 between estimated cost and actual cost. NCPA and
21 Santa Clara shall pay DWR within twenty (20) days
22 of the receipt of such bill or DWR shall reimburse
23 NCPA and Santa Clara by April 15 of each year, as
24 appropriate.

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1 **9.3 Billings and Payments for Additional Transmission Service:**

2 Billing and payments for Additional Transmission Service
3 are the same as for Short Term Transmission Service and
4 shall be prorated appropriately.

5 **9.4 Interest on Bills and Refunds:**

6 Except as otherwise provided in this Agreement, all
7 bills shall be due and payable within twenty (20)
8 calendar days of receipt of the bill. Amounts which are
9 not paid on or before the due date shall thereafter
10 accrue interest at the rate of one percent (1%) per
11 month or the maximum rate permitted by law, whichever
12 is less, from the due date to the date payment is
13 received. Such interest charge shall also apply to any
14 refund and any unpaid bill or portion thereof which is
15 disputed and thereafter determined to be proper.

16 **9.5 All bills to NCPA shall be sent to:**

17 Northern California Power Agency
18 180 Cirby Way
19 Roseville, CA 95678
20 Attention: Accounts Payable

21 **9.6 All bills to Santa Clara shall be sent to:**

22 City of Santa Clara
23 Electric Department
24 1500 Warburton Avenue
25 Santa Clara, CA 95050
26 Attention: Accounts Clerk

27 **9.7 All payments to DWR shall be sent to:**

 Department of Water Resources
 P. O. Box 942836
 Sacramento, CA 94236-0001
 Attention: General Accounting Office
 (DWR No. E164202)

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1 10.0 LIABILITY:

2 10.1 Liability: Except (i) as otherwise provided in this
3 Section 10.0, and (ii) for any loss, damage, claim, cost,
4 charge, or expense resulting from Willful Action, as
5 defined in Section 10.6, no Party, its directors or other
6 governing body, officers or employees shall be liable to
7 any other Party or Parties for any loss, damage, claim,
8 cost, charge, or expense of any kind or nature incurred by
9 any other Party or Parties (including direct, indirect or
10 consequential loss, damage, claim, cost, charge, or
11 expense, and whether or not resulting from the negligence
12 of a Party, its directors or other governing body,
13 officers, employees, or any person or entity whose
14 negligence would be imputed to such Party) from the
15 performance or nonperformance of the obligations of a Party
16 under this Agreement (including the interruption or
17 curtailment of any transmission of electric energy).
18 Except (i) as otherwise provided in this Section 10.0, and
19 (ii) for any loss, damage, claim, cost, charge, or expense
20 resulting from Willful Action, as defined in Section 10.6,
21 each Party releases the other Parties, their directors, or
22 other governing body, officers, and employees from any such
23 liability.

24 10.2 Responsibility of Parties Regarding Damage From Electrical
25 Disturbances: Each Party shall be responsible for
26 protecting its facilities from possible damage by reason
27 of electrical disturbances or faults caused by the

1 operation, faulty operation, or non-operation of any other
2 Party's facilities located in Lake, Napa or Sonoma
3 counties, and, except for damage resulting from Willful
4 Action, such other Party shall not be liable for any such
5 damages so caused.

6 **10.3 Claims By Persons or Entities:** Except as provided in
7 Section 10.4 or 10.5, each Party shall be responsible to
8 the extent permitted by law, for liability for death,
9 injury, loss or damage suffered or incurred by a person or
10 entity (other than a Party, its directors or other
11 governing body, officers and employees) to the extent such
12 death, injury, loss or damage was proximately caused by
13 such Party in the performance or non-performance of its
14 obligations under this Agreement.

15 **10.4 Claims By Electric Customers:** Except for liability
16 resulting from Willful Action of another Party, a Party
17 whose electric customer shall make a claim or bring an
18 action for any death, injury, loss or damage arising out
19 of electric service to such customer, which death, injury,
20 loss or damage is caused by a Party's performance or
21 nonperformance of its obligations under this Agreement,
22 shall indemnify and hold harmless, to the full extent
23 permitted by law, the other Parties, their directors or
24 other governing body, officers and employees from and
25 against any liability for such death, injury, loss or
26 damage. For the purpose of this Section 10.0, the term
27 "electric customer" shall mean an electric customer, except

1 an electric utility system to whom power is delivered for
2 resale. "Electric customer" shall also mean a member,
3 subsidiary or substantial owner of a Party.

4 **10.5 Claims By Employees:** Except for liability resulting from
5 Willful Action of another Party, a Party whose employee
6 shall make a claim or bring an action against another Party
7 for any death, injury, loss or damage arising out of a
8 Party's performance or nonperformance of its obligations
9 under this Agreement, shall indemnify and hold harmless,
10 to the full extent permitted by law, the other Parties,
11 their directors, officers and employees for such death,
12 injury, loss or damage.

13 **10.6 Willful Action:** For the purpose of this Section 10.0,
14 Willful Action shall be defined as:

15 **10.6.1** Action taken or not taken by a Party at the
16 direction of its directors or other governing body,
17 officers or employees having management or
18 administrative responsibility affecting its
19 performance under this Agreement, which action is
20 knowingly or intentionally taken or failed to be
21 taken with conscious indifference to the
22 consequences thereof or with intent that injury or
23 damage would result or would probably result
24 therefrom.

25 **10.6.2** Action taken or not taken by a Party at the
26 direction of its directors or other governing body,
27 officers or employees having management or

1 administrative responsibility affecting its
2 performance under this Agreement, which action has
3 been determined by final arbitration award or final
4 judgment or judicial decree to be a material default
5 under this Agreement and which occurs or continues
6 beyond the time specified in such arbitration award
7 or judicial decree for curing such default or, if
8 no time to cure is specified therein, occurs or
9 continues thereafter beyond a reasonable time to
10 cure such default.

11 10.6.3 Action taken or not taken by a Party at the
12 direction of its directors or other governing body,
13 officers or employees having management or
14 administrative responsibility affecting its
15 performance under this Agreement, which action is
16 knowingly or intentionally taken or failed to be
17 taken with the knowledge that such action taken or
18 failed to be taken is a material default under this
19 Agreement.

20 10.6.4 Willful Action does not include any act or failure
21 to act which is merely involuntary, accidental or
22 negligent.

23 10.6.5 The phrase "employees having management or
24 administrative responsibility," as used in this
25 Section 10.0, means the employees of a Party who are
26 responsible for one or more executive functions of
27 planning, organizing, coordinating, directing,

1 controlling and supervising such Party's performance
2 under this Agreement with responsibility for
3 results.

4 11.0 UNCONTROLLABLE FORCES:

5 No Party shall be considered to be in default in the
6 performance of any obligation under this Agreement (other
7 than an obligation to make payment for bills rendered
8 pursuant to this Agreement) when a failure of performance
9 shall be the result of uncontrollable forces. The term
10 "uncontrollable forces" shall mean any cause or causes
11 beyond the control of the Party unable to perform such
12 obligation, including, but not limited to, failure of or
13 threat of failure of facilities, flood, earthquake, storm,
14 drought, fire, pestilence, lightning and other natural
15 catastrophes, epidemic, war, riot, civil disturbance or
16 disobedience, sabotage, strike, lockout, labor disturbance,
17 labor or material shortage, government priorities and
18 restraint by court order or public authority and action or
19 non-action by, or inability to obtain the necessary
20 authorizations or approvals from any governmental agency or
21 authority, any of which by exercise of due diligence such
22 Party could not reasonably have been expected to avoid and
23 which by exercise of due diligence it has been unable to
24 overcome. Nothing contained in this Section 11.0 shall be
25 construed as requiring a Party to settle any strike,
26 lockout or labor dispute in which it may be involved, or to
27 accept any permit, certificate or other authorization which

contains conditions which such Party determines in its judgment are unduly burdensome.

12.0 ADMINISTRATION: In order to exchange information and determine procedure regarding activities required under this Agreement, each Party shall within ten days following execution of this Agreement, appoint an Authorized Representative. The Authorized Representatives shall have the following functions:

12.1 Exchange information on and coordinate any proposed reduction or termination of Short-Term Transmission Service pursuant to Section 3.2.

12.2 Exchange information on and coordinate any reallocation of Long-Term Transmission Service, Short-Term Transmission Service and Additional Transmission Service, pursuant to Section 3.4.

12.3 Prepare and coordinate notices to PG&E regarding redesignations pursuant to Section 3.5.

12.4 To prepare and recommend to the Parties, for approval, amendments or supplemental agreements which may be necessary for the implementation of this Agreement.

12.5 To prepare and from time to time review Operating Procedures to be followed by the Parties under this Agreement. Such procedures shall be in general conformance with Good Utility Practice.

12.6 The Authorized Representatives shall have no authority to modify, change, add or eliminate any terms or conditions of this Agreement.

1 12.7 Any action taken or determination made by the Authorized
2 Representatives shall be reduced to writing.

3 12.8 Any Party may change designation of its Authorized
4 Representative by giving the other Parties written notice
5 in the manner provided in Section 13.

6 13.0 NOTICES:

7 13.1 Unless otherwise specified, any notice, demand,
8 information, report or item otherwise required, authorized
9 or provided for in this Agreement, shall be deemed properly
10 given if delivered personally or sent by United States
11 Mail, postage prepaid, to the persons specified below:

12 To DWR:

13 The State of California
14 Department of Water Resources
15 c/o Chief of the Energy Division
16 P. O. Box 942836
17 Sacramento, CA 94236-0001

18 To NCPA:

19 General Manager
20 Northern California Power Agency
21 180 Cirby Way
22 Roseville, CA 95678

23 To Santa Clara:

24 City Manager
25 City of Santa Clara
26 1500 Warburton Avenue
27 Santa Clara, CA 95050

Any Party may change designation of the person who is to
receive notices on its behalf by giving the other Parties
written notice thereof in the manner provided in this
Section 13.0.

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1 13.2 Any notice of a routine character in connection with
2 service under this Agreement or in connection with
3 operation of facilities shall be given in such a manner as
4 the Parties may determine from time to time, unless
5 otherwise provided in this Agreement.

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14.0 SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign. This Agreement may be signed by counter part.

NORTHERN CALIFORNIA POWER AGENCY

ATTEST:

By: [Signature]

By: [Signature]

General Manager

Date: 3/22/89

CITY OF SANTA CLARA

ATTEST:

By: _____

City Clerk

By: _____

Mayor

Approved As To Form: _____

By: _____

City Manager

By: _____

City Attorney

Date: _____

DEPARTMENT OF WATER RESOURCES OF THE STATE OF CALIFORNIA

APPROVED AS TO LEGAL
FORM AND SUFFICIENCY:

By: _____

Assistant Chief
Counsel

By: _____

Deputy Director

Date: _____

14.0 SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for whom they sign. This Agreement may be signed by counter part.

NORTHERN CALIFORNIA POWER AGENCY

ATTEST:

By: _____

By: _____
General Manager

Date: _____

CITY OF SANTA CLARA

ATTEST:

By: J. E. Bocuyne
City Clerk

By: Ernest V. Sany
Mayor

Approved As To Form:

By: Jennifer A. Paracino
City Manager

By: [Signature]
Assistant City Attorney

Date: 3-20-89

DEPARTMENT OF WATER RESOURCES OF THE STATE OF CALIFORNIA

APPROVED AS TO LEGAL
FORM AND SUFFICIENCY:

By: [Signature]
Assistant Chief
Counsel

By: Donald B. Owen
Acting Deputy Director

Date: 4/12/89

APPENDIX A

DERIVATION OF DWR'S UNIT COST (\$/kW-mo) FOR
SHORT TERM TRANSMISSION SERVICE

1. DWR shall estimate its annual cost associated with Short Term Transmission Service being provided to NCPA and Santa Clara as follows:

A. The estimate of annual cost shall include: i) DWR's costs incurred as evidenced by bills received from PG&E pursuant to the following sections of the Cotenancy Agreement: Section 4.0 "Sharing Initial Construction Costs of the New Line and Associated Facilities", Section 5.2 "Sharing of Costs of Operating Emergencies", Section 5.3 "Sharing of Costs for Operation and Maintenance of the Line Circuits", Section 5.4 "Sharing of Costs for Operation, Maintenance and Replacement of Associated Facilities", Section 5.5 "Sharing of Costs for Capital Replacements and Additions and Betterments to Maintain Capacity of the New Line"; plus (ii) DWR's annual costs incurred pursuant to the following sections of the Cotenancy Agreement, Section 5.3 "Sharing of Costs for Operation and Maintenance of the Line Circuits" and Section 5.4 "Sharing of Costs for Operation, Maintenance and Replacement of Associated Facilities".

1 B. DWR shall capitalize the cost components in
2 paragraph A (i) through February 28, 1989. DWR
3 shall calculate the annual cost of amortizing the
4 capitalized cost from March 1, 1989 through
5 December 31, 2014, using the applicable first of
6 the month reference rate of the San Francisco main
7 branch of the Bank of America, N.T. and S.A., San
8 Francisco, California as of the date this agreement
9 becomes effective.

10 C. By December 15 of each year, DWR will estimate the
11 cost components in paragraph A (ii) for the
12 following year.

13 D. The estimated monthly cost for the following year
14 shall be the sum of the annual costs calculated
15 pursuant to paragraphs B and C above divided by 12.

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